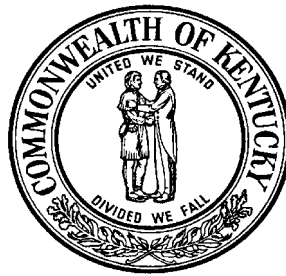


**REPORT OF THE AUDIT OF THE
PIKE COUNTY
CLERK**

**For The Year Ended
December 31, 2001**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Karen F. Gibson, Pike County Judge/Executive

Honorable Lillian P. Elliott, Pike County Clerk

Members of the Pike County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Pike County, Kentucky, for the year ended December 31, 2001.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC, evaluated the Pike County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**AUDIT EXAMINATION OF THE
PIKE COUNTY CLERK**

Calendar Year 2001

Berger & Ross, PLLC
Certified Public Accountants and Fraud Examiners
800 Envoy Circle
Louisville, KY 40299-1837
(502) 499-9088
Fax: (502) 499-9132

400 Democrat Road
Suite 2107
Frankfort, KY 40601
(502) 695-7353

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE PIKE COUNTY CLERK

Calendar Year 2001

Berger & Ross, PLLC has completed the Pike County Clerk's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition

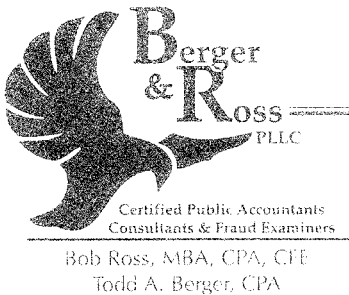
The Clerk's office generated receipts of \$15,264,158 from operations during the year. The Clerk distributed the appropriate amount of taxes, licenses, and fees to taxing districts. In addition, the Clerk's office generated \$322,967 of fees that were distributed to the Pike County Fiscal Court.

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF RECEIPTS AND DISBURSEMENTS	3
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER	6
NOTES TO THE FINANCIAL STATEMENTS	8
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	13



(502) 499-9088
800 Envoy Circle
Louisville, Kentucky 40299-1837

FAX: (502) 499-9132
Email: irsrescue@msn.com
Internet: www.irsrescue.com

Members:

American Society of CPAs
Kentucky Society of CPAs
Association of Certified Fraud Examiners
Association of Government Accountants
County Auditor Association of the
Southeast Area
National Association of Tax Interpreters
Government Finance Officers Association

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Karen F. Gibson, Pike County Judge/Executive
Honorable Lillian P. Elliott, Pike County Clerk
Members of the Pike County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, and disbursements of the County Clerk of Pike County Kentucky, and the statement of receipts, disbursements, and fund balances of the Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2001. These financial statements are the responsibility of the Pike County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the County Clerk and the receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Karen F. Gibson, Pike County Judge/Executive
Honorable Lillian P. Elliott, Pike County Clerk
Members of the Pike County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 8, 2002, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -
August 8, 2002

PIKE COUNTY
LILLIAN P ELLIOTT, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS

Calendar Year 2001

Receipts

State Payments:

State Fees for Services	\$	32,883
-------------------------	----	--------

Fiscal Court		140,352
--------------	--	---------

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	1,867,206
------------------------	----	-----------

Usage Tax		6,971,029
-----------	--	-----------

Tangible Personal Property Tax		4,156,229
--------------------------------	--	-----------

Licenses-

Fish and Game		24,408
---------------	--	--------

Marriage		25,273
----------	--	--------

Occupational		5,010
--------------	--	-------

Deed Transfer Tax		56,556
-------------------	--	--------

Delinquent Taxes	1,523,859	14,629,570
------------------	-----------	------------

Fees Collected for Services:

Recordings-

Affidavits of Descent	\$	449
-----------------------	----	-----

Deeds, Easements, and Contracts		37,373
---------------------------------	--	--------

Bail Bonds		1,900
------------	--	-------

Notary Bonds		5,915
--------------	--	-------

Articles of Incorporation		1,177
---------------------------	--	-------

Real Estate Mortgages		73,508
-----------------------	--	--------

Deeds of Release		20,834
------------------	--	--------

Leases		8,873
--------	--	-------

Wills		4,136
-------	--	-------

Material Liens		6,679
----------------	--	-------

Chattel Mortgages and Financing Statements		195,352
--	--	---------

Powers of Attorney	1,882	358,078
--------------------	-------	---------

Other:

Copywork	\$	32,998
----------	----	--------

Election Filing Fees		1,600
----------------------	--	-------

Miscellaneous		42,835
---------------	--	--------

Interest Earned		2,371
-----------------	--	-------

Postage	23,471	103,275
---------	--------	---------

Total Receipts	\$	15,264,158
----------------	----	------------

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
 LILLIAN P ELLIOTT, COUNTY CLERK
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 Calendar Year 2001
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	1,482,225	
Usage Tax		6,752,631	
Tangible Personal Property Tax		<u>1,514,981</u>	\$ 9,749,837

Licenses, Taxes, and Fees-

Fish and Game	\$	23,091	
Delinquent Tax		197,080	
Legal Process Tax		56,050	
Marriage License		3,056	
Additional Usage		3,362	
Election Campaign Filing Fees		<u>960</u>	283,599

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	435,630	
Delinquent Tax		182,314	
Delinquent Solid Waste		60,790	
Deed Transfer Tax		53,818	
Occupational Licenses		<u>4,108</u>	736,660

Payments to Other Districts:

Tangible Personal Property Tax	\$	2,030,471	
Delinquent Tax		<u>685,060</u>	2,715,531

Payments to Sheriff 28,450

Payments to County Attorney 231,193

Other Charges-

Advalorem Tax Refunds	\$	9,257	
Usage Tax Refunds		8,040	
Employee Training		<u>5,292</u>	<u>22,589</u>

Total Disbursements \$ 13,767,859

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
LILLIAN P ELLIOTT, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS
Calendar Year 2001
(Continued)

Net Receipts		\$	1,496,299
Payments to State Treasurer:			
75% Operating Fund	\$	1,173,332	*
25% County Fund		<u>322,967</u>	<u>1,496,299</u>
Balance Due at Completion of Audit		<u>\$</u>	<u>0</u>

*Includes reimbursed expenses of \$23,466 and fiscal court contributions in the amount of \$140,352.

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
LILLIAN P. ELLIOTT, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND
WITH THE STATE TREASURER

Calendar Year 2001

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2001	\$ 102,357	\$	\$ 102,357
<u>Receipts</u>			
Fees Paid to State- Operating Funds (75%)	1,173,332		1,173,332
Fees Paid to State- County Funds (25%)		322,967	322,967
Total Funds Available	<u>\$ 1,275,689</u>	<u>\$ 322,967</u>	<u>\$ 1,598,656</u>
<u>Disbursements</u>			
Payments to Pike County Fiscal Court	\$ -	\$ 322,967	\$ 322,967
Personnel Services-			
Clerk's Salary	78,822		78,822
Clerk's Expense Allowance	3,600		3,600
Deputies' Salaries	608,712		608,712
House Bill 810 Reimbursement	2,189		2,189
Employee Benefits-			
Employer's Share Social Security	50,329		50,329
Employer's Share Retirement	37,876		37,876
Supplies and Materials-			
Office Supplies	45,788		45,788
Other Charges-			
Bank Service Charge	26		26
Bonds	284		284
Books and Journals	1,773		1,773
Cleaning Supplies	810		810
Computer Equipment	178		178
Computer Service	1,750		1,750
Computer Supplies	214		214

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
 LILLIAN P. ELLIOTT, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
 OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND
 WITH THE STATE TREASURER
 Calendar Year 2001

Disbursements (Continued)

Dues	\$ 4,115		\$ 4,115
Equipment Maintenance	5,257		5,257
Insurance	223,646		223,646
Miscellaneous	8,850		8,850
Postage	15,883		15,883
Tax Bill Preparation	19,184		19,184
Training	200		200
Telephone	1,445		1,445
Auto Expenses-			
Gasoline	520		520
Maintenance and Repairs	137		137
Capital Outlay-			
Office Equipment	14,755		14,755
	<hr/>	<hr/>	<hr/>
Total Disbursements	\$ 1,126,343	\$ 322,967	\$ 1,449,310
	<hr/>	<hr/>	<hr/>
Fund Balance- December 31, 2001	\$ 149,346	\$ 0	\$ 149,346
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The Attorney General issued a letter, which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies instrumentalities, obligations, and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible

PIKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grants

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$43,202 during the 1996 calendar year. The Clerk had a balance of \$1,732 on January 1, 2001, and the account earned \$26 of interest during the year. The unexpended grant balance is \$1,758 as of December 31, 2001.

The County Clerk received a second local records microfilming grant from the Kentucky Department of Libraries and Archives in the amount of \$22,570 during the 1999 calendar year. The clerk had a balance of \$463 on January 1, 2001, and the account earned \$0 of interest during the year. The unexpended grant balance is \$463 as of December 31, 2001.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Bob Ross, MBA, CPA, CFE
Todd A. Berger, CPA

(502) 499-9088
800 Envoy Circle
Louisville, Kentucky 40299-1837

FAX: (502) 499-9132
Email: irsrescue@msn.com
Internet: www.irsrescue.com

Member:
American Institute of CPAs
Association of Certified Fraud Examiners
Association of Tax-Exempt Accountants
Certified Public Accountants
National Association of Accountants
National Association of Tax Professionals
United States Taxpayers Association

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Karen F. Gibson, Pike County Judge/Executive
Honorable Lillian P. Elliott, Pike County Clerk
Members of the Pike County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the Pike County Clerk for the year ended December 31, 2001, and have issued our report thereon dated August 8, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Pike County Clerk's financial statements for the year ended December 31, 2001, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pike County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit Fieldwork completed -
August 8, 2002

